

**REPORT OF THE AUDIT OF THE
ROWAN COUNTY
CLERK**

**For The Period January 1, 2002
Through November 30, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jean W. Bailey, Rowan County Clerk
Members of the Rowan County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Rowan County, Kentucky, for the period January 1, 2002 through November 30, 2002.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Rowan County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
ROWAN COUNTY
CLERK**

**For The Period January 1, 2002
Through November 30, 2002**

**ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ROWAN COUNTY CLERK

**For The Period January 1, 2002
Through November 30, 2002**

Ross & Company, PLLC has completed the Rowan County Clerk's audit for the period January 1, 2002 through November 30, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$8,815 from the prior calendar year, resulting in excess fees of \$36,620 as of November 30, 2002. Revenues decreased by \$294,831 from the prior year and disbursements decreased by \$303,646.

Debt Obligations:

Capital lease principal and interest outstanding as of November 30, 2002 was \$151,602.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES.....	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jean W. Bailey, Rowan County Clerk
Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Rowan County, Kentucky, for the period of January 1, 2002 through November 30, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the period of January 1, 2002 through November 30, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jean W. Bailey, Rowan County Clerk
Members of the Rowan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -
November 7, 2003

ROWAN COUNTY
JEAN W. BAILEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through November 30, 2002

Receipts

State Grants		\$	28,100
State Fees For Services			8,430
Fiscal Court			27,164
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	444,531	
Usage Tax		1,643,859	
Tangible Personal Property Tax		971,409	
Miscellaneous		4,095	
Licenses-			
Fish and Game		3,689	
Marriage		6,865	
Occupational		634	
Deed Transfer Tax		34,324	
Delinquent Tax		<u>134,403</u>	3,243,809
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	10,550	
Real Estate Mortgages		31,005	
Chattel Mortgages and Financing Statements		62,038	
Powers of Attorney		1,700	
Commission on State Collected Delinquent Tax		11,411	
All Other Recordings		22,697	
Charges for Other Services-			
Candidate Filing Fees		1,800	
Copywork		4,579	
Postage		<u>797</u>	146,577
Interest Earned			<u>1,036</u>
Total Receipts		\$	3,455,116

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY
 JEAN W. BAILEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through November 30, 2002
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 337,284
Usage Tax	1,590,614
Tangible Personal Property Tax	408,593

Licenses, Taxes, and Fees-

Fish and Game	3,536
Delinquent Tax	42,420
Legal Process Tax	16,671
Candidate Filing Fees	900
	<u>\$ 2,400,018</u>

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 60,641	
Delinquent Tax	11,145	
Deed Transfer Tax	32,519	
Occupational Licenses	346	104,651
	<u></u>	

Payments to Other Districts:

Tangible Personal Property Tax	\$ 456,810	
Delinquent Tax	66,987	523,797
	<u></u>	

Payments to Sheriff

1,537

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 164,960
Employee Benefits-	
Employer's Share FICA	15,997

Contracted Services-

Scanning and Indexing Records	10,324
Computer Hardware Maintenance Agreement	24,047
Library and Archives Grant Expensed	38,100
Postage Meter Rental	1,786

Materials and Supplies-

Office Supplies	23,090
-----------------	--------

Other Charges-

Bank Charges	1,486	
Dues and Memberships	1,819	
Postage	4,000	
Refunds	4,435	
Miscellaneous	4,596	
NSF Checks	820	295,460
	<u></u>	

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY
 JEAN W. BAILEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through November 30, 2002
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Debt Service:

Lease Purchases	\$ 25,621
-----------------	-----------

Total Disbursements	\$ 3,351,084
---------------------	--------------

Net Receipts	\$ 104,032
--------------	------------

Less: Statutory Maximum	61,147
-------------------------	--------

Excess Fees	\$ 42,885
-------------	-----------

Less: Expense Allowance	\$ 3,300
-------------------------	----------

Training Incentive Benefit	2,965	6,265
----------------------------	-------	-------

Excess Fees Due County for 2002	\$ 36,620
---------------------------------	-----------

Payments to County Treasurer - December 16, 2002	\$ 35,000	
	1,620	36,620

Balance Due at Completion of Audit	\$ 0
------------------------------------	------

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT

November 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at November 30, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
November 30, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of November 30, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$28,100. The unexpended grant balance as of December 31, 2001 was \$28,139. During January 1, 2002 to November 30, 2002, local grant funds of \$10,000 were deposited and \$168 of interest was earned. Funds totaling \$38,100 were expended during January 1, 2002 to November 30, 2002. The unexpended grant balance as of November 30, 2002 was \$207.

Note 5. Leases

The Clerk's office is committed to the following lease agreements as of November 30, 2002:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Remaining Lease Payments November 30, 2002
Copier	\$ 363.43	60 months	April 2007	\$ 18,898.36
Copier	288.40	60 months	June 2007	15,573.60
Hardware	2,019.49	60 months	September 2007	117,130.42

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jean W. Bailey, Rowan County Clerk
Members of the Rowan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Rowan County Clerk for the Period January 1, 2002 through November 30, 2002, and have issued our report thereon dated November 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rowan County Clerk's financial statement for the period January 1, 2002 through November 30, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rowan County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -
November 7, 2003

